Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 9/17/2002

GAIN Report #AR2053

Argentina

Fresh Deciduous Fruit

Semi-Annual

2002

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Report Highlights:
Apple production in CY 2002 is now estimated at 900,000 MT, 30 percent lower than in CY 2001, while exports of fresh apples and concentrated apple juice are also expected to fall bellow previous estimates. Despite falling international prices and lower production during CY 2002, the peso's devaluation in ealy 2002 has resulted in sufficient revenues in peso terms for producers. CY 2003 pear and apple's quality are expected to be the best of the last five years. Necessary agricultural practices, abandoned because of the economic crisis, have now been retaken. Together with the higher use of agrochemicals to reduce pest attacks on the crops the result will be better fruit quality.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Buenos Aires [AR1], AR

Situation and Outlook

Production

Argentine apple production in CY 2002 is estimated at 900,000 MT, 10 percent bellow the previous forecast and 30% below production in CY 2001 due to a higher effect of the second year stress than expected and underestimations of the damage made by a hail storms in late 2001. Concentrated Apple Juice (CAJ) in CY 2002 is also forecast below previous estimates as mont apples went to the fresh market instead of to the processing sector. The processing sector has traditionally purchased 55 percent of the fresh apples, however this percentage in CY 2002 is expected to drop to40 percent due to the scarcity of raw material. In addition, new international markets which require lower fruit quality have been developed, competing for product traditionally bound for the processing sector. Pear production for CY 2002, however, remains in accordance with previous estimates at 550,000 MT.

In contrast to lower production in CY 2002, industry sources point to three factors in favor of a good harvest in CY 2003. First, the CY 2002 harvest was poor mainly because of the biannual "second year stress". This effect will not be present in CY 2003, since trees will have re-gained strength and will be more productive. Second, due to higher revenues being generated in CY 2002, farmers are now able to carry out all the agricultural practices they had abandoned because of the economic crisis. Plantations will be in a much better shape than years before and therefore will be more productive. Third, sources in the industry say that it will take three years before production costs increase enough to offset the benefits left by the peso devaluation. That means, farmers will seek to get the most out of their farms while profitability is relatively high.

Trade

Exportable supply

Comparing January-June 2001 with January-June 2002, export volumes for apples have dropped 7.7 percent and for pears 3.9 percent. Concentrated Apple Juice (CAJ) exports have dropped more significantly, falling 32 percent compared with figures of the first semester CY 2001.

Exports	January-June 2001		January-June 2002	
	VOLUME	VALUE	VOLUME	VALUE
APPLES	146,816	79,191,033	135,455	52,644,603
PEARS	268,979	146,791,700	258,564	115,486,000
CAJ	31,408	23,644,547	10,032	14,586,734

Source: National Institute for Statistics and Census (INDEC)

Government of Argentina (GOA) officials expect this trend will revert in the second half of CY 2002 to where overall export volumes will end the year with a net plus of 3-5 percent. Sources in the industry, however, assert that by the end of the year, exports of the three products will only near to CY 2001 figures.

CAJ exports are expected to reach 35,000 tons by the end of CY 2002, restrained by the decrease in production. The U.S. should remain the main export destination. In CY 2001, 77,521 of the 78,710 tons of the exported CAJ, went to the U.S. and from that total, 38,930 tons were exported in the second half of CY 2001.

Apple and pear exports are carried out in two time periods. From February to May, Europe is the main destination. Exports to the EU market in the first part of CY 2002, have reached 123,000 tons for pears and 67,000 tons for apples worth $58.2 and $27.5 million respectively. Russia has also become a very important destination for the Argentine fruit. Through June, 41,000 tons of pears of pears worth $17 million and 34,000 tons of apples valued at $12.5 million, were exported to Russia. From June to December, Brazil is the main costumer. Brazil bought more than 25 percent of Argentine Red Delicious apple exports valued at $22 million (in CY 2001) and more than 30 percent of the Argentine pear exports with a value of $44.5 million.

Export Policy
In February 2002, a 10 percent export tax for fresh apples and pears and five percent for CAJ was imposed. All the fruit councils and associations have been struggling to have them eliminated, with little sucess. Apples and pears still pay 10 percent export tax, however payments of rebates of five percent which had been delayed have now started to be paid. The specific four percent rebate given to all fruit exported through Patagonian ports is still in force.

Export taxes & rebates		Export tax	Rebates
APPLES & PEARS	In cases containing 2.5 kilos or less.	10%	6%
	In cases containing more than 2.5 kilos and less or equal to 20 kilos.	10%	5%
CONCENTRATED APPLE JUICE	One liter TetraPack	5%	5%

Imports
CY 2002 imports of the three products are now estimated well below the values previously forecasted, owed to the strong devaluation of the peso. Given current import prices over 3.5 times greater in peso terms since January, total Argentine imports have decreased 60 percent in the first six month of CY 2002, while deciduos fruits and product imports have declined 82 percent in the first semester of 2002.

Factors affecting industry structure

a. ***New Investments***
After ten years of little growth and uncompetitiveness in world markets, the Argentine fruit industry seems to be recovering with the help of the devaluation of the peso. Although no considerable long term investment is being undertaken, regular agricultural practices which had been abandoned during recent years because of the lack of profitability in the sector, have begun to be carried out again. The Argentine fruit industry, which is heavily dependent on manpower, has seen the cost of labor remain the same while revenues, in peso terms, have almost tripled allowing for more pruning, water channel cleaning and weeding.

Foreign investments have started to show some interest in the sector. A Dutch firm has already invested $ 11 million in a new pear and apple plantation in Rio Negro valley.

b. ***Product Prices***
Deciduous fruits (FOB) prices have dropped significantly with respect to the first semester of CY 2001. Apples FOB price fell from $0.54 cents per kilo in CY 2001 to $ 0.39 pre kilo in June CY 2002. Pears FOB price fell from $0.55 in 2001 to $0.45 in 2002. The depressed international market prices and importers demands for

sharing the gains of the peso devaluation have been cited as the main causes for fall in prices. However, in an context of the 350% devaluation of the local currency, the fall in international prices has had little impact on farmers' economy.

FOB Prices ($ / Tn)				Domestic retail prices ($ / Tn)		
Months	Apples	Pears	CAJ	Months	Apples	Pears
Jan-02	$0.43	$0.49	$0.69	Jan-02	$0.25	$0.34
Feb-02	$0.46	$0.48	$0.76	Feb-02	$0.23	$0.23
Mar-02	$0.40	$0.44	$0.74	Mar-02	$0.18	$0.18
Apr-02	$0.37	$0.42	$0.65	Apr-02	$0.17	$0.20
May-02	$0.36	$0.38	$0.69	May-02	$0.18	$0.18
Jun-02	$0.36	$0.39	--	Jun-02	$0.20	$0.18

c. *Quality*

The main factor currently affecting fruit quality is Codling moth (*Cydia Pomonela*). Codling moth has produced a great deal of damage on the fruit harvested in CY 2002, affecting both the quality and marketability of apples.

On May 8, 2002, apples and pears shipments to Brazil were stopped because of a sudden change in the Brazilian regulations, when a zero tolerance for codling moth larvae (*Cydia Pomonela*) in apples from Argentina was set. On June 24, the two countries' phytosanitary authorities agreed on a new set of procedures and the Brazilian Government re-opened the market for Argentine apples. Under the new system one hundred percent of the fruit must be visually analyzed and three per cent of the shipment must be cut searching for larvae. A ten percent tolerance for the first year (CY 2003) has been set, with packing houses restricted from exporting to Brazil if its shipments exceed this limit. This tolerance will be reduced gradually to zero by CY 2005.

On August 21, 2002 the biggest fruit exporter in Argentina was taken out of the list of authorized exporters since more the 10 percent live larvae were found in its shipments.

In addition to the agreement with Brazil, GOA has implemented a number of measures to deal with the codling moth problem. On July 3, 2002 a law proclaiming the eradication codling moth of National Interest, was passed. The Federal Law # 25,614 gives high priority to the control of the plague, with the Secretariat of Agriculture responsible for the implementation of a control program. The main input used in the biological control of codling moth, a hormone called *Feromone*, will be exempt from paying import tariffs, statistic tax, VAT or any other tax that could burden the import of the product. Moreover, the Animal Plant health authority has drafted a new resolution which will strengthen the measures towards more effective control of the pest in CY 2003.

Due to the awareness of the importance of codling moth on apple exports and the new approach to control it, it is expected that a better quality will be seen in CY 2003. In addition, a better quality will be attained thanks to the better care farmers are taking to the plantations in terms of agricultural practices and the higher rate of sprays plants will receive during CY 2002.

d. *New Varieties*

Fifty percent of the Argentine apple plantations are more than 30 years old and produce the Red Delicious variety apple due to the strng demand from both the domestic and Brazilian export market. However, this lack of alternate varieties has limited Argentine apple exports to additional export markets. In response, a process known as "reconversion" (Spanish for transformation) has been initialed in the Patagonian growing areas. The idea is to replace the old Red Delicious plantations with new varieties. Among the new varieties, Gala and its clones (e.i. Galaxy) and Pink Lady are amongst the most popular. With respect to pears, the Bartlett variety is still the most planted and demanded for the domestic market as well as for export. Other varieties seen in the area are, Abate Fetel and Packham's Triumph.

e. ***Exchange Rates***

Despite expectations created by the devaluation of the peso in early 2002, exports have yet to take off. Nevertheless, farmers have profited, as their revenue, though lower in dollar terms, have increased 350 percent in peso terms with respect to 2001, while inflation has, so far, not exceed 40 percent. In this economic environment, the higher income attained by farmers has been put back into their farms, helping them to re-employ agricultural practices that had been abandoned because of the economic recession.

Statistical Tables

PSD Table						
Country	Argentina					
Commodity	Fresh Apples				(HA)(1000 TREES)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Planted	54	54	54	54	54	54
Area Harvested	53	53	53	53	53	53
Bearing Trees	27100	27100	27100	27100	27100	27100
Non-Bearing Trees	4000	4000	4000	4000	4000	4000
Total Trees	31100	31100	31100	31100	31100	31100
Commercial Production	847084	847084	1330800	1330800	1000000	900000
Non-Comm. Production	0	0	0	0	0	0
TOTAL Production	847084	847084	1330800	1330800	1000000	900000
TOTAL Imports	13280	13280	4352	4397	4000	1000
TOTAL SUPPLY	860364	860364	1335152	1335197	1004000	901000
Domestic Fresh Consump	324670	324670	363285	357907	300000	311000
Exports, Fresh Only	95895	95895	183782	194490	250000	200000
For Processing	439799	439799	788085	782800	454000	390000
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	860364	860364	1335152	1335197	1004000	901000

Export Trade Matrix			
Country	Argentina		
Commodity	Fresh Apples		
Time period	CY	Units:	MT
Exports for:	2001		2002
U.S.	3310	U.S.	1507
Others		Others	
Russia	27774	Russia	33973
Netherlands	31677	Netherlands	23684
Belgium	32456	Belgium	20316
Brazil	57833	Brazil	17211
Norway	8509	Norway	9018
Portugal	8507	Portugal	8603
Spain	4522	Spain	6678
Sweden	4238	Sweden	4660
Italy	2877	Italy	3506
Germany	2884	Paraguay	1424
Total for Others	181277		129073
Others not Listed	9903		4876
Grand Total	194490		135456

Import Trade Matrix			
Country	Argentina		
Commodity	Fresh Apples		
Time period	CY	Units:	MT
Imports for:	2001		2002
U.S.	188	U.S.	59
Others		Others	
Brazil	110	Brazil	248
France	398	France	19
Chile	3626		
Italy	57		
Spain	18		
Total for Others	4209		267
Others not Listed	0		0
Grand Total	4397		326

Prices Table			
Country	Argentina		
Commodity	Fresh Apples		
Prices in	$ FOB	per uom	MT
Year	2001	2002	% Change
Jan	540	430	-20.37%
Feb	740	460	-37.84%
Mar	560	400	-28.57%
Apr	530	370	-30.19%
May	510	360	-29.41%
Jun	490	360	-26.53%
Jul	410		-100.00%
Aug	350		-100.00%
Sep	360		-100.00%
Oct	350		-100.00%
Nov	370		-100.00%
Dec	380		-100.00%
Exchange Rate	3.6 AR$/$	Local currency/US $	

PSD Table						
Country	Argentina					
Commodity	Concentrated Apple Juice				(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Deliv. To Processors	439799	439799	788085	782800	454000	390000
Beginning Stocks	3154	3154	4046	4046	11725	11725
Production	42328	42328	83543	83543	63000	40000
Imports	4638	4638	1585	1585	500	200
TOTAL SUPPLY	50120	50120	89174	89174	75225	51925
Exports	37574	37574	69449	69449	70000	35000
Domestic Consumption	8500	8500	8000	8000	5000	5000
Ending Stocks	4046	4046	11725	11725	225	11925
TOTAL DISTRIBUTION	50120	50120	89174	89174	75225	51925

Export Trade Matrix			
Country	Argentina		
Commodity	Concentrated Apple Juice		
Time period	CY	Units:	MT
Exports for:	2001		2002
U.S.	77521	U.S.	14494
Others		Others	
Domican Rep.	76	Dominican Rep.	39
Uruguay	370	Uruguay	49
Brazil	50	Colombia	5
Germany	500	Chile	1
Trinidad Tobago	48		
Italy	41		
Bolivia	36		
Paraguay	33		
El Salvador	9		
Bennin	9		
Total for Others	1172		94
Others not Listed	15		0
Grand Total	78708		14588

Import Trade Matrix			
Country	Argentina		
Commodity	Concentrated Apple Juice		
Time period	CY	Units:	MT
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Brazil	1490	Brazil	106
Chile	13	Chile	2
Germany	285		
China	40		
Total for Others	1828		108
Others not Listed	0		
Grand Total	1828		108

Prices Table			
Country	Argentina		
Commodity	Concentrated Apple Juice		
Prices in	$ FOB	per uom	MT
Year	2001	2002	% Change
Jan	560	690	23.21%
Feb	460	760	65.22%
Mar	780	740	-5.13%
Apr	770	650	-15.58%
May	760	690	-9.21%
Jun	750	0	-100.00%
Jul	740		-100.00%
Aug	760		-100.00%
Sep	740		-100.00%
Oct	710		-100.00%
Nov	740		-100.00%
Dec	720		-100.00%
Exchange Rate	3.6 AR$/$	Local currency/US $	

PSD Table						
Country	Argentina					
Commodity	Fresh Pears				(HA)(1000 TREES)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Planted	18	18	18	18	18	18
Area Harvested	18	18	18	18	18	18
Bearing Trees	9036	9036	9036	9036	9100	9100
Non-Bearing Trees	1200	1200	1200	1200	1300	1300
Total Trees	10236	10236	10236	10236	10400	10400
Commercial Production	478078	478078	570000	610110	520000	550000
Non-Comm. Production	0	0	0	0	0	0
TOTAL Production	478078	478078	570000	610110	520000	550000
TOTAL Imports	786	786	459	468	400	300
TOTAL SUPPLY	478864	478864	570459	610578	520400	550300
Domestic Fresh Consump	119867	119867	137400	111537	100000	100300
Exports, Fresh Only	279462	279462	312861	315631	350000	350000
For Processing	79535	79535	120198	183410	70400	100000
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	478864	478864	570459	610578	520400	550300

Export Trade Matrix			
Country	Argentina		
Commodity	Fresh Pears		
Time period	CY	Units:	MT
Exports for:	2001		2002
U.S.	42798	U.S.	40005
Others		Others	
Italy	42319	Italy	45522
Brazil	108559	Brazil	45129
Russia	22866	Russia	40837
Belgium	29492	Belgium	31882
Netherlands	34164	Netherlands	25594
France	8811	France	8006
Portugal	7412	Portugal	6889
Sweden	2445	Sweden	2663
Germany	4468	Mexico	2508
Canada	3888	Spain	2235
Total for Others	264424		211265
Others not Listed	8409		7294
Grand Total	315631		258564

Import Trade Matrix			
Country	Argentina		
Commodity	Fresh Pears		
Time period	CY	Units:	MT
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Brazil	296	Brazil	249
Chile	157		
Spain	15		
Total for Others	468		249
Others not Listed			
Grand Total	468		249

Prices Table			
Country	Argentina		
Commodity	Fresh Pears		
Prices in	$	per uom	MT
Year	2001	2002	% Change
Jan	560	490	-12.50%
Feb	580	480	-17.24%
Mar	570	440	-22.81%
Apr	510	420	-17.65%
May	510	380	-25.49%
Jun	450	390	-13.33%
Jul	410		-100.00%
Aug	380		-100.00%
Sep	390		-100.00%
Oct	440		-100.00%
Nov	440		-100.00%
Dec	520		-100.00%
Exchange Rate	3.6 AR$/$	Local currency/US $	